

5662199

The Amphion Group Limited

FINANCIAL STATEMENTS

for the 10 months ended

31 December 2006

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COMPANIES HOUSE

The Amphion Group Limited
DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS

Mr R A Usher (Chairman and Managing Director)
Mr P Young
Mr W S Morrison
Mr A D Ros
Mr R Terry (Non executive)
Mr R Slee (Non executive)

SECRETARY

Mr W S Morrison

COMPANY NUMBER

5662199 (England and Wales)

REGISTERED OFFICE

3 Albert Embankment
London
SE 1 7SP
United Kingdom

AUDITORS

Baker Tilly UK Audit LLP
1st Floor
46 Clarendon Road
Watford
Herts WD17 1JJ
United Kingdom

BANKERS

Allied Irish Bank Plc
City Branch
9-10 Angel Court
London
EC2R 7AB
United Kingdom

The Amphion Group Limited

DIRECTORS' REPORT

The Directors present their Annual Report on the affairs of The Amphion Group Limited (hereafter "the Company"), together with the accounts and the auditors' report for the 10 months ended 31 December 2006

PRINCIPAL ACTIVITIES

The principal activity of the Company is as an investment holding company, as well as the raising of funds and the provision of loans and other financing activities to companies within the group

REVIEW OF BUSINESS DEVELOPMENTS

Financial Results

The Company was incorporated on 22nd December 2005 and commenced trading on 1 March 2006. During the first ten months of operations, it received dividends of £588,700 from its wholly-owned subsidiary, Adam Smith International Limited. Results have been in line with management expectations, and reflect positive performance for a business of the Company's size and complexity.

Future developments

The Company is optimistic about its future prospects and expects to enhance dividend income levels in the short to medium term.

Risk Management

Risk management is an important issue to the Company. The Board is responsible for the Company's system of internal controls and for reviewing their effectiveness. However, such a system can only manage rather than eliminate risk and provide reasonable but not absolute assurance against misstatement or loss. The Company carefully manages its debtors and cash balances, which it sees as a key driver to success.

The Company's sole client is Adam Smith International Limited. It is therefore dependent upon the continued success of this business.

Purchase of own shares

During the financial period the Company purchased 54,000 of its own ordinary shares from a former employee. These shares had a nominal value of £1 each, representing 18% of the issued share capital of the Company at that time. These shares were purchased for an aggregate consideration of £54,000.

People

Our success depends largely on the quality of our people. We continue to strive to recruit, retain and develop the best people. Training and development is a priority within the Company. We carry out annual appraisals from which a detailed staff development plan is produced.

In order to attract and retain the best people to the Company, we have in place a number of measures including equal opportunities, a structured bonus scheme, and an employee share option scheme. These are all linked to key performance indicators and a formal induction process.

EVENTS SINCE THE END OF THE YEAR

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, Section 26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

FINANCIAL INSTRUMENTS DISCLOSURES

The Company has an overdraft facility with Allied Irish Bank plc (City Branch). A mortgage debenture exists giving the bank a floating charge over the assets of the Company as security for the overdraft and loan facilities provided to the Company in relation to the acquisition of all of the issued share capital of Adam Smith International Limited. These facilities are reviewed annually alongside the business plans and budgets for the forthcoming year.

The Company does not enter into any other financial instruments but short term creditors and debtors on normal commercial terms.

RESULTS AND DIVIDENDS

The Company did not generate any turnover during the financial period under review, and realised operating losses of £236,890. Profit on ordinary activities before taxation was £86,393.

As it is the Company's first period of operations, the directors do not propose to pay a dividend in relation to the current financial period.

The Amphion Group Limited
DIRECTORS' REPORT (continued)

DIRECTORS

The directors in office during the financial period under review were as follows

	Date of appointment
Mr R A Usher (Chairman and Managing Director)	22 December 2005
Mr P Young	22 December 2005
Mr W S Morrison	22 December 2005
Mr A D Ros	14 September 2006
Mr R Terry (Non-executive)	22 December 2005
Mr R Slec (Non-executive)	6 June 2006

DIRECTORS' INTERESTS IN SHARES

At 31 December 2006, the directors' interests in the shares of the Company, including family interests, were as follows

	Ordinary shares of £1 each	
	2006	2005
Mr R A Usher	21,000	-
Mr P Young	45,000	-
Mr W S Morrison	60,000	-
Mr A D Ros	12,000	-
Mr R Terry	-	-
Mr R Slec	-	-

In addition Mr P Young is a beneficiary of the deferred loan note repayment dependent on future earnings referred to in note 11

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

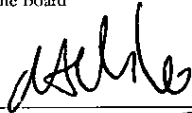
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITORS

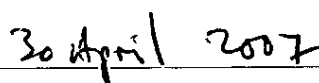
A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting

3 Albert Embankment
 London
 SE1 7SP
 United Kingdom
 (registered office)

By order of the Board


 R A Usher
 Chairman and Managing Director

Date



The Amphion Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to

- a. select suitable accounting policies and then apply them consistently,
- b. make judgements and estimates that are reasonable and prudent, and
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of The Amphion Group Limited for the year ended 31 December 2006, comprising the Profit and Loss Account, the Balance Sheet the Cash Flow Statement, and the related Notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

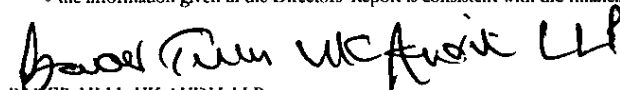
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 31 December 2006 and of its profit for the 10 month period then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

1st Floor

46 Clarendon Road

Watford

Herts

WD17 1JJ

14.5.07

The Amphion Group Limited
PROFIT AND LOSS ACCOUNT
for the 10 months ended 31 December 2006

	<i>Notes</i>	2006 £
TURNOVER	1	-
Cost of sales		<u>-</u>
GROSS PROFIT		-
Administration costs	2	<u>236,890</u>
OPERATING LOSS		(236,890)
Income from shares in group undertakings	3	<u>588,700</u>
		351,810
Interest payable and similar charges	4	<u>265,417</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		86,393
Taxation	7	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>86,393</u>

The operating loss for the period arises from the Company's continuing operations

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

The Amphion Group Limited


BALANCE SHEET

31 December 2006

	Notes	2006 £
FIXED ASSETS		
Investment in subsidiaries	8	10 187,497
CURRENT ASSETS		
Cash at bank and in hand	9	88,977
		<u>88,977</u>
CREDITORS Amounts falling due within one year	10	<u>5,111,311</u>
NET CURRENT LIABILITIES		<u>5,022,334</u>
		<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,165,163
CREDITORS Amounts falling due after one year	11	<u>4 820,770</u>
NET ASSETS		<u><u>344,393</u></u>
CAPITAL AND RESERVES		
Called up share capital	12	258,000
Other reserves	13	54,000
Profit and loss account	13	<u>32,393</u>
SHAREHOLDERS' FUNDS	14	<u><u>344,393</u></u>

The financial statements on pages 6 to 13 were approved by the board of directors and authorised for issue on **30.4.07** and signed on its behalf by


Mr R A Usher
Director


Mr W S Morrison
Director

The Amphion Group Limited
CASH FLOW STATEMENT
for the 10 months ended 31 December 2006

	<i>Notes</i>	2006 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	4,874,421
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Dividends received		588,700
Interest paid	4	<u>(265,417)</u>
Net cash inflow for returns on investments and servicing of finance		323,283
TAXATION		<u>-</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of fixed asset investments	8	<u>(10,187,497)</u>
Net cash outflow from capital expenditure and financial investment		(10,187,497)
 Net cash outflow before financing		 (4,989,793)
FINANCING		
AIB Bank loans raised	11	3,000,000
AIB Bank loans repaid	11	(400,000)
Shareholder loans raised	11	2,220,770
Issue of ordinary share capital	12	312,000
Redemption of ordinary share capital	12	<u>(54,000)</u>
		5,078,770
 Increase in cash in the 10 month period		 <u>88,977</u>

The Amphion Group Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention

GROUP ACCOUNTS

The accounts present information about the individual undertaking and not about its group. The Company and its subsidiary undertakings comprise a medium-sized group. The Company has therefore taken advantage of the exemptions provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

GOING-CONCERN

The Company has met its day to day working capital requirements through a loan from its subsidiary undertaking, Adam Smith International Limited which is repayable on demand. Continued support will be received from the subsidiary undertaking, and so the directors consider it appropriate to prepare the financial statements on the going-concern basis.

FINANCE COSTS

Finance costs include all interest charges and professional fees incurred in raising finance.

BORROWING COSTS

Borrowing costs are recognised in the profit and loss statement in the period in which they are incurred.

INVESTMENT IN SUBSIDIARIES

The Company's investment in subsidiaries are held at cost or provided against where the net worth of the investment falls below this balance. The consideration paid for the investment is contingent upon future earnings. Anticipated future earnings are assessed annually and where necessary the cost of the investment is adjusted through the balance sheet.

DEFERRED TAXATION

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more, or less, tax at a future date, at the average tax rates that are expected to apply when the timing differences reverse, based on current tax rates and laws. The deferred tax balance has not been discounted.

EMPLOYEE SHARE OPTION SCHEME

The value of the share options issued to employees of the group are assessed annually with adjustments taken to profit and loss.

The Amphion Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the 10 months ended 31 December 2006

1 SEGMENTAL ANALYSIS

Segmental analysis does not apply as it only has a single business activity

2 ADMINISTRATION COSTS

2006

£

Administrative expenses

236,890

3 INCOME FROM SHARES IN GROUP UNDERTAKINGS

2006

£

Dividends received from Adam Smith International Limited

588,700

4 INTEREST PAYABLE AND SIMILAR CHARGES

2006

£

Interest and bank charges on Allied Irish Bank loan

260,892

Interest on shareholder loan notes

4,525

265,417

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

2006

£

Profit on ordinary activities before taxation is stated after charging

- Auditors' remuneration

7,500

6 EMPLOYEES

The Company has no employees, and only the fees of the non executive directors are paid by the Company. All other executive directors are remunerated through salaries which are paid for by the Company's wholly-owned subsidiaries.

2006

£

DIRECTORS' REMUNERATION

Emoluments for qualifying services

19,506

Company pension contributions to money purchase schemes

-

19,506

7 TAXATION

2006

£

Domestic current period tax

UK corporation tax

Adjustment for prior years

Current tax charge

-

Factors affecting the tax charge for the period

Profit on ordinary activities before taxation

86,393

Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%

25,918

Non deductible expenses

62,966

Income not taxable

(176,610)

Tax losses surrendered to group companies

87,726

-

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the 10 months ended 31 December 2006

8 INVESTMENTS IN SUBSIDIARIES

2006

£

At beginning of period
Cost

Movements

Additions Acquisition of Adam Smith International Limited

10,187,497

At end of period

Cost

10,187,497

List group undertakings

Name	<u>Adam Smith International Limited</u>	<u>Adam Smith Services Limited*</u>
Nature of Business	International development consultancy	Provision of business services
Country of incorporation	England and Wales	England and Wales
Description of shares	Ordinary shares	Ordinary shares
Ownership	100%	100%
Profit after taxation (£)	2,613,986	120,832
Capital and reserves (£)	6,744,262	120,833

On 28 February 2006, the Company acquired all of the issued share capital of Adam Smith International Limited for a total consideration of £10,977,041. Part of the consideration was paid in cash and the remainder deferred (see note 11).

* Adam Smith Services Limited is classified as a subsidiary as shares are held by Adam Smith International Limited.

9 CASH AT BANK AND IN HAND

	1 March 2006 £	Cash flow £	Other non-cash changes £	31 December 2006 £
Net cash				
Cash at bank and in hand	-	88,977	-	88,977
Net funds	<u>-</u>	<u>88,977</u>	<u>-</u>	<u>88,977</u>

10 CREDITORS Amounts falling due within one year

2006

£

Trade creditors	1,599
Corporation tax	-
Allied Irish Bank Loan	1,000,000
Shareholder Loan Notes	1,194,212
Loans from subsidiaries	2,899,025
Accruals	16,475
	<u>5,111,311</u>

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the 10 months ended 31 December 2006

11 CREDITORS Amounts falling due after one year

	Allied Irish Bank Loan £	Shareholder Loan Notes £	Total £
1 March 2006	-	-	-
Additions to fund acquisition of Adam Smith International Limited	4,000,000	4,204,526	8,204,526
Additions to fund operations	-	-	-
Repayments	(400,000)	-	(400,000)
Transfer to amounts falling due within one year	(1,000,000)	(1,194,212)	(2,194,212)
Loan revaluation	-	(789,544)	(789,544)
31 December 2006	<u>2,600,000</u>	<u>2,220,770</u>	<u>4,820,770</u>

On 28 February 2006 the Company took out a term loan from the AIB Group (UK) plc in the amount of £4 million bearing interest at the bank's base rate plus a margin of 1.75% per annum and repayable over a 5 year period with quarterly repayments of £200,000.

In addition, the bank has provided the Company with an overdraft facility of £750,000 bearing interest at the bank's base rate plus a margin of 1.75% per annum and repayable on demand and subject to annual review. At 31 December 2006 the Company had not used any of this facility.

The bank has a mortgage debenture dated 28 February 2006 providing security over all the Company's and its subsidiaries' assets.

On 28 February 2006 the Company agreed to issue, as part of the consideration for the acquisition of all of the issued share capital of Adam Smith International Limited, variable rate loan notes to the former shareholders of this company. There are two forms of loan notes: (i) the minimum deferred earn-out loan notes, and (ii) the variable deferred earn-out loan notes. The first type of loan notes were issued on 28 February 2006 and are redeemable between 2007 and 2010. The second type of loan notes will be issued annually 6 months after the signing of the Company's accounts for each of the years 2006 through 2009. These are repayable on the date they are issued. However, if they are not repaid immediately they become interest-bearing at the AIB Group (UK) plc's base rate. The notes are revalued annually with differences taken through the balance sheet. The current year revaluation used a discount rate of 7.0%.

	Allied Irish Bank Loan £	Shareholder Loan Notes £	Loans from subsidiaries £	Total £
Analysis of repayments				
Due in 1 year or less	1,000,000	1,194,212	2,899,025	5,093,237
Due after 1 year but not more than 2 years	800,000	811,794	-	1,611,794
Due after 2 years but not more than 5 years	1,800,000	1,408,976	-	3,208,976
	<u>3,600,000</u>	<u>3,414,982</u>	<u>2,899,025</u>	<u>9,914,007</u>

12 SHARE CAPITAL

	2006 £
Authorised	
300,000 ordinary shares of £1 each	<u>300,000</u>
Allotted, issued and fully paid	
258,000 ordinary shares of £1 each	<u>258,000</u>

On 28 February 2006 the Company received financial assistance amounting to £1,982,971 from Adam Smith International Limited to acquire all of the issued share capital of Adam Smith International Limited. During the remainder of the period, the Company received further loans amounting to £916,054 to fund its operations. At 31 December 2006, the Company owes its subsidiary £2,899,025.

The Company issued 300,000 ordinary shares of £1 each on 28 February 2006.

On 3 October 2006, the Company provided financial assistance of £54,000 to effect a buy-back of 54,000 ordinary shares which were acquired from a former employee. These shares were subsequently cancelled. These shares had a nominal value of £1 each, and represented 18% of the issued share capital of the Company at the time of purchase.

On 3 October 2006, the Company made a new issue of 12,000 ordinary shares of £1 each to Mr A D Ros for a total consideration of £12,000.

On 3 October 2006, the Company issued 42,000 share options of £1 each to employees as part of an employee share incentive scheme. These share options can be exercised only if either (i) the business is sold, (ii) the business is listed, or (iii) the scheme administrator otherwise permits it. At present management believe that the likelihood of any of these events occurring is remote.

The Amphion Group Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the 10 months ended 31 December 2006

13 STATEMENT OF MOVEMENT ON RESERVES

	Capital redemption reserve £	Profit and loss account £	Total £
1 March 2006	-	-	-
Purchase of own shares	54,000	(54,000)	-
Retained profit for the period	-	86,393	86,393
31 December 2006	<u>54,000</u>	<u>32,393</u>	<u>86,393</u>

The Company has not declared any dividends during the current financial period

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006 £
Opening shareholders' funds	-
Issue of shares	300,000
Redemption of shares	(54,000)
Issue of shares	12,000
Profit for the financial period	<u>86,393</u>
Closing shareholders' funds	<u>344,393</u>

15 CASH FLOWS

	2006 £
a. Reconciliation of operating profit to net cash inflow from operating activities	
Operating loss	(236,890)
Increase in creditors falling due within one year	<u>5,111,311</u>
Net cash inflow from operating activities	<u>4,874,421</u>
b. Reconciliation of net cash flow to movement in net debt	
Increase in cash in the period	88,977
Opening net funds	-
Closing net funds	<u>88,977</u>

16 PENSION COMMITMENTS

The Company does not have any employees, and therefore there are no pension commitments

17 RELATED PARTY TRANSACTIONS

The Company has borrowed funds from its subsidiary Adam Smith International Limited (see note 10)

On 3 October 2006, the Company bought back shares in itself that were owned by a former employee of the Company (see note 12)

	2006 £
Adam Smith International Limited	
Dividends received	<u>588,700</u>
Loans from subsidiaries	<u>2,899,025</u>

Mr P Young is a beneficiary of the shareholder loan notes that are dependent upon future earnings referred to in note 11